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FEDERAL RESERVE SYSTEM

12 CFR Parts 208, 217, 225, and 252

[Regulations H, Q, Y, and YY; Docket Nos. R-1442 and R-1492]

RIN 7100 AE-87

Regulatory Capital Rules; Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations; Correction

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; correcting amendment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) published a final rule in the Federal Register on October 11, 2013 (78 FR 62018) regarding Regulatory Capital Rules and another final rule on October 27, 2014 (79 FR 64025) regarding Capital Plan and Stress Test Rules. This publication removes certain expired transitional requirements in Regulations H and Y, resolves certain citation errors, replaces a wrongly duplicated paragraph in Regulation Q, and corrects a typographical error in Regulation YY.

DATES: The corrections are effective [Insert date of publication in the Federal Register], except that instructions 10.b and 10.f amending 12 CFR 208.43 are effective January 1, 2018.

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SUPPLEMENTARY INFORMATION: The Board is correcting errors in and deleting certain expired transitional requirements from the final rule that was published in the Federal

Register on October 11, 2013 (78 FR 62018). These revisions will remove text or footnotes in 12 CFR parts 208 and 225 describing certain transitional requirements that have expired, correct citations in 12 CFR 217.2 and 12 CFR 217.202(b)(10), and remove and replace a wrongly duplicated paragraph in 12 CFR 217.300(c)(3). The Board is also correcting a typographical error in the final rule that was published in the Federal Register on October 27, 2014 (79 FR 64025), which caused the unintended deletion of § 252.153(e)(2)-(5).

List of Subjects

12 CFR Part 208

Accounting, Agriculture, Banks, Banking, Confidential business information, Consumer protection, Crime, Currency, Global systemically important bank, Insurance, Investments, Mortgages, Reporting and recordkeeping requirements, Securities.

12 CFR Part 217

Administrative practice and procedure, Banks, Banking, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 252

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Holding companies, Nonbank financial companies supervised by the Board, Reporting and recordkeeping requirements, Securities, Stress testing.

For the reasons set forth in the preamble, chapter II of title 12 of the Code of Federal Regulations is amended as follows:

**PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE
FEDERAL RESERVE SYSTEM**

1. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1833(j), 1828(o), 1831, 1831o, 1831p-1, 1831r-1, 1831w, 1831x, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, 3353, and 3905-3909; 15 U.S.C. 78b, 78l(b), 78l(i), 780-4(c)(5), 78q, 78q-1, 78w, 1681s, 1681w, 6801 and 6805; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104b, 4106, and 4128.

§ 208.2 [Amended]

2. In § 208.2, remove footnote 2.

§ 208.3 [Amended]

3. In § 208.3, redesignate footnote 3 as footnote 2.

§ 208.4 [Amended]

4. In § 208.4, remove footnotes 4 and 5.

§ 208.5 [Amended]

5. In § 208.5, redesignate footnote 6 as footnote 3 and footnote 7 as footnote 4.

§ 208.21 [Amended]

6. In § 208.21, redesignate footnote 8 as footnote 5.

§ 208.24 [Amended]

7. In § 208.24, redesignate footnote 9 as footnote 6.

8. In § 208.40, revise paragraph (e) to read as follows:

§ 208.40 Authority, purpose, scope, other supervisory authority, and disclosure of capital categories.

* * * * *

(e) *Timing*. The calculation of the definitions of common equity tier 1 capital, the common equity tier 1 risk-based capital ratio, the leverage ratio, the supplementary leverage ratio, tangible equity, tier 1 capital, the tier 1 risk-based capital ratio, total assets, total leverage exposure, the total risk-based capital ratio, and total risk-weighted assets under this subpart is subject to the timing provisions at 12 CFR 217.1(f) and the transitions at 12 CFR part 217, subpart G.

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§ 208.41 [Amended]

9. In § 208.41, remove footnotes 10, 11, 12, 13, 14, and 15.

10. In § 208.43:

- a. Revise paragraph (a);
- b. Effective January 1, 2018, paragraph (a)(2)(iv)(C) as added on May 1, 2014 (79 FR 24540), and further amended on August 14, 2015 (80 FR 49102), is redesignated as paragraph (a)(4)(iii).
- c. Remove paragraph (b);
- d. Redesignate paragraphs (c) and (d) as paragraphs (b) and (c).
- e. Revise the introductory text of newly redesignated paragraph (b); and
- f. Effective January 1, 2018, paragraph (c)(1)(iv) as revised on May 1, 2014 (79 FR 24540), and further amended on August 14, 2015 (80 FR 49102), is redesignated as paragraph (b)(1)(iv).

The revisions read as follows:

§ 208.43 Capital measures and capital category definitions.

(a) *Capital measures.* For purposes of section 38 and this subpart, the relevant capital measures are:

- (1) Total Risk-Based Capital Measure: The total risk-based capital ratio;
- (2) Tier 1 Risk-Based Capital Measure: the tier 1 risk-based capital ratio;
- (3) Common Equity Tier 1 Capital Measure: the common equity tier 1 risk-based capital ratio; and
- (4) Leverage Measure:
 - (i) The leverage ratio; and
 - (ii) With respect to an advanced approaches bank, on January 1, 2018, and thereafter, the supplementary leverage ratio.

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(b) *Capital categories applicable to all member banks.* For purposes of section 38 and this subpart, a member bank is deemed to be:

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§ 208.102 [Amended]

- 11. In § 208.102, redesignate footnote 16 as footnote 7.

§ 208.111 [Amended]

- 12. In § 208.111, redesignate footnote 17 as footnote 8 and footnote 18 as footnote 9.

**PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS
AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS
(REGULATION Q)**

- 13. The authority citation for part 217 continues to read as follows:

AUTHORITY: 12 U.S.C. 248(a), 321-338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p-1, 1831w, 1835, 1844(b), 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371.

14. In § 217.2, in the definition of “covered savings and loan holding company”, revise paragraph (1) to read as follows:

§ 217.2 Definitions

* * * * *

Covered savings and loan holding company * * *

(1) A top-tier savings and loan holding company that is:

(i) An institution that meets the requirements of section 10(c)(9)(C) of HOLA

(12 U.S.C. 1467a(c)(9)(C)); and

(ii) As of June 30 of the previous calendar year, derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k));

* * * * *

§ 217.202 [Amended]

15. In § 217.202(b), in paragraph (10)(ii) of the definition of “securitization”, remove “[12 CFR 208.34 (Board), 12 CFR 9.18 (OCC)]” and add in its place “12 CFR 208.34.”

16. In § 217.300, revise paragraph (c)(3) to read as follows:

§ 217.300 Transitions.

* * * * *

(c) * * *

(3) *Depository institution holding companies under \$15 billion and 2010 MHCs.* (i) Non-qualifying capital instruments issued by depository institution holding companies under \$15 billion and 2010 MHCs prior to May 19, 2010, may be included in additional tier 1 or

tier 2 capital if the instrument was included in tier 1 or tier 2 capital, respectively, as of January 1, 2014.

(ii) Non-qualifying capital instruments includable in tier 1 capital are subject to a limit of 25 percent of tier 1 capital elements, excluding any nonqualifying capital instruments and after applying all regulatory capital deductions and adjustments to tier 1 capital.

(iii) Non-qualifying capital instruments that are not included in tier 1 as a result of the limitation in paragraph (c)(3)(ii) of this section are includable in tier 2 capital.

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PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

17. The authority citation for part 225 continues to read as follows:

AUTHORITY: 12 U.S.C. 1844(b), 3106 and 3108, 1817(j)(13), 1818(b), 1831i, 1972, 3310, 3331-3351 and 3353; 12 U.S.C. 3901, *et seq.*; and 12 U.S.C. 1841, *et seq.*

§ 225.2 [Amended]

18. In § 225.2(r)(1), remove footnotes 3 and 4.

§ 225.4 [Amended]

19. In § 225.4, remove footnote 1.

§ 225.12 [Amended]

20. In § 225.12:

- a. Remove footnote 1;
- b. Redesignate footnote 2 as footnote 1.

§ 225.22 [Amended]

21. In § 225.22, remove footnote 1.

§ 225.172 [Amended]

22. In § 225.172, remove footnote 1.

PART 252—ENHANCED PRUDENTIAL STANDARDS (REGULATION YY)

23. The authority citation for part 252 continues to read as follows:

AUTHORITY: 12 U.S.C. 321-338a, 1467a(g), 1818, 1831p-1, 1844(b), 1844(c), 5361, 5365, 5366.

24. In § 252.153, add paragraphs (e)(2) through (5) to read as follows:

§ 252.153 U.S. intermediate holding company requirement for foreign banking organizations with U.S. non-branch assets of \$50 billion or more.

* * * * *

(e) * * *

(2) Capital requirements for a U.S. intermediate holding company—(i) Risk-based capital and leverage requirements. (A) A U.S. intermediate holding company must calculate and meet all applicable capital adequacy standards set forth in 12 CFR part 217, other than subpart E of 12 CFR part 217, and comply with all restrictions associated with applicable capital buffers, in the same manner as a bank holding company.

(B) A U.S. intermediate holding company may choose to comply with subpart E of 12 CFR part 217.

(C) Notwithstanding 12 CFR 217.100(b), if a bank holding company is a subsidiary of a foreign banking organization that is subject to this section and the bank holding company is subject to subpart E of 12 CFR part 217, the bank holding company, with the Board's prior written approval, may elect not to comply with subpart E of 12 CFR part 217.

(ii) Capital planning. A U.S. intermediate holding company must comply with § 225.8 of Regulation Y in the same manner as a bank holding company.

(3) Risk management and risk committee requirements—(i) General. A U.S. intermediate holding company must establish and maintain a risk committee that approves and periodically reviews the risk management policies and oversees the risk-management framework of the U.S. intermediate holding company. The risk committee must be a committee of the board of directors of the U.S. intermediate holding company (or equivalent thereof). The risk committee may also serve as the U.S. risk committee for the combined U.S. operations required pursuant to § 252.155(a).

(ii) Risk-management framework. The U.S. intermediate holding company's risk-management framework must be commensurate with the structure, risk profile, complexity, activities, and size of the U.S. intermediate holding company and consistent with the risk management policies for the combined U.S. operations of the foreign banking organization. The framework must include:

(A) Policies and procedures establishing risk-management governance, risk-management procedures, and risk-control infrastructure for the U.S. intermediate holding company; and

(B) Processes and systems for implementing and monitoring compliance with such policies and procedures, including:

(1) Processes and systems for identifying and reporting risks and risk-management deficiencies at the U.S. intermediate holding company, including regarding emerging risks and ensuring effective and timely implementation of actions to address emerging risks and risk-management deficiencies;

(2) Processes and systems for establishing managerial and employee responsibility for risk management of the U.S. intermediate holding company;

(3) Processes and systems for ensuring the independence of the risk-management function of the U.S. intermediate holding company; and

(4) Processes and systems to integrate risk management and associated controls with management goals and the compensation structure of the U.S. intermediate holding company.

(iii) Corporate governance requirements. The risk committee of the U.S. intermediate holding company must meet at least quarterly and otherwise as needed, and must fully document and maintain records of its proceedings, including risk-management decisions.

(iv) Minimum member requirements. The risk committee must:

(A) Include at least one member having experience in identifying, assessing, and managing risk exposures of large, complex financial firms; and

(B) Have at least one member who:

(1) Is not an officer or employee of the foreign banking organization or its affiliates and has not been an officer or employee of the foreign banking organization or its affiliates during the previous three years; and

(2) Is not a member of the immediate family, as defined in § 225.41(b)(3) of the Board's Regulation Y (12 CFR 225.41(b)(3)), of a person who is, or has been within the last three years, an executive officer, as defined in § 215.2(e)(1) of the Board's Regulation O (12 CFR 215.2(e)(1)) of the foreign banking organization or its affiliates.

(v) The U.S. intermediate holding company must take appropriate measures to ensure that it implements the risk management policies for the U.S. intermediate holding company and it provides sufficient information to the U.S. risk committee to enable the U.S. risk committee to carry out the responsibilities of this subpart.

(4) Liquidity requirements. A U.S. intermediate holding company must comply with the liquidity risk-management requirements in § 252.156 and conduct liquidity stress tests and hold a liquidity buffer pursuant to § 252.157.

(5) Stress test requirements. A U.S. intermediate holding company must comply with the requirements of subparts E and F of this part in the same manner as a bank holding company.

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By order of the Board of Governors of the Federal Reserve System, November 2, 2015.

Robert deV. Frierson,
Secretary of the Board.

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